

FIRST-CLASS MAIL PRESORT LETTERS AND CARDS AND STANDARD MAIL PRESORT LETTERS COST MODELS

I. PREFACE

A. Purpose and Content

USPS-FY14-10 documents the First-Class Mail presort letters and cards mail processing unit cost estimates and worksharing-related savings estimates, and the Standard Mail presort letters mail processing unit cost estimates.

B. Predecessor Documents

Order No. 2076 (Docket No. RM2014-1), Proposal Eight.

C. Corresponding Non-Public or Public Document

There are no corresponding non-public documents.

D. Methodology And Changes

The First-Class Mail presort letters and cards and Standard Mail presort letters cost models rely on the Docket No. R2006-1 Postal Regulatory Commission (PRC) methodology and also incorporate the modifications described in Docket No. RM2011-5, Proposal Nine. The Proposal Nine modifications include updates to several cost model inputs and a revised bundle sorting cost methodology that was approved by the Commission in Order No. 741.

The Postal Service proposed the addition of new mail processing cost pools in Docket No. RM2011-12, Proposal Five and Proposal Six. The Commission subsequently approved those proposals in Order No. 920. The USPS-FY11-26 cost by shape estimates therefore contain seven additional cost pools that need to be distributed using the Commission's cost pool classification methodology.

Docket No. RM2012-1; Proposal Twelve, Order No. 1153 modifies the mail processing cost model applicable to the Standard mail presort letters to disaggregate the mail processing costs of Standard nonautomation machinable MAADC and AADC presort letters.

Docket No. RM2012-2, Proposal Seventeen, Order No. 1383 consolidates MODS operation groups associated with the productivity calculations for the DBCS/DIOSS automated letter image reading and sorting operations. This change responds to changes in the definition of certain MODS operations.

Docket No. RM2012-2, Proposal Nineteen, Order No. 1383 modifies the mail processing cost model applicable to the First-Class mail presort letters to develop

separate cost estimates for the nonautomation machinable MAADC and the AADC categories.

Docket No. RM 2014-1, Proposal Eight proposed to consolidate MODS operation groups associated with productivity calculations into Manual Incoming and Outgoing groups. PRC issued Order No. 2076 ruling on each modification. Order No. 2076 ruling has been incorporated into models filed in this ACR.

Methodological Changes: All CSBCS machines were taken out of service by the end of FY13. Therefore, USPS-FY14-23 (MODS Productivity data) did not report/update the CSBCS productivity. Since the Auto 3-Pass DPS (CSBCS) cost nodes still occur in the 'model' and 'cost' sheets in USPS-FY14-10, it was necessary to nullify the effect of those nodes. A toggle switch was deployed that nullifies the effect of offending nodes. Turning the toggle switch "off" adheres to PRC methodology but renders the model unusable. Turning it "on" is necessary to avoid cascading "#DIV/0!" errors in computations of "Direct Cents Per Piece" in the 'cost' worksheets of each price category by hardcoding zero for such computations. Once the nodes are eliminated from the worksheets in the future, this issue will be resolved. The toggle switch occurs in each FCM and STD model in the worksheet marked "Toggle Switch" in cell E2.

E. Inputs/Outputs

<u>Input Source</u>	<u>Input Description</u>
USPS-FY14-7	Volume variability factors Premium pay factors Wage rates
USPS-FY14-14	Mail Characteristics Data
USPS-FY14-19	Delivery costs by shape, Collection costs
USPS-FY14-23	MODS productivity data
USPS-FY14-24	Piggyback factors
USPS-FY14-25	Operation-specific piggyback factors RCR cost data
USPS-FY14-26	Mail processing unit cost by shape estimates
Docket No. RM2011-5, Order No. 741	Automation density tables Manual density tables Plant carrier route finalization percentage Bundle sorting methodology

	Leakage Rate
2014 Carrier Piece Count (CPC) Data	Post office box destination percentage
2014 FAST Data	Incoming secondary percentages
2014 RBCS Data	RCR finalization rate
2014 WebEOR Data	Operation acceptance and reject rates
USPS-FY08-10	OSS Reject Rates
2008 Field Study	Bundle sorting productivity
<u>Output Document</u>	<u>Output Description</u>
USPS-FY14-3	Discounts and pass-through values
USPS-FY14-19	Delivery Costs by Shape (DPS percentages)
USPS-FY14-21	QBRM and BRM Costs
USPS-FY14-30	Market Dominant NSA Materials

II. ORGANIZATION

USPS-FY14-10 contains two MS Excel workbooks - First-Class and Standard letter cost models for the Annual Compliance Report based on latest PRC methodology.

The First-Class Mail presort letters and cards mail processing unit cost estimates and the First-Class Mail Presort letters and cards worksharing-related savings estimates by price category. These estimates are developed using Order No. 2076 methodology.

The Standard Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the Order No. 2076 methodology.